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H.F. 20 allows a refundable income tax credit of up to \$1,000 for principal and interest payments on higher education loans. Effective for tax year 2017.

Credit Amount

The credit equals a percentage of eligible loan payments in excess of ten percent of adjusted gross income, up to \$1,000. The credit percentage depends on the eligible individual's profession. Adjusted gross income is income before federal and state deductions and exemptions. The credit is refundable, with amounts in excess of liability paid to the taxpayer as a refund.

- For eligible individuals who are not employed in a public service job or an education profession, **the percentage is 50 percent.**
- For eligible individuals employed in a public service job, **the percentage is 65 percent.** Public service jobs include jobs for the federal, state, or local government, school district, military service, tax-exempt 501(c)(3) organizations, and not-for-profit organizations that are not tax exempt but provide certain qualifying public services.
- For eligible individuals who work in an education profession, **the percentage is 75 percent.** Education professions include full-time jobs in public education, early childhood education, or for a tribal college or university.

Eligibility

To qualify for the credit, an individual must have one or more qualified education loans. If both the taxpayer and the taxpayer's spouse have qualified loans, each may claim the credit.

Qualifying Loans

“Qualified education loan” is any loan used to pay for the costs of attending an undergraduate or graduate degree program at an educational institution eligible for federal financial aid. This includes federal direct and Perkins loans, state loans, and private student loans.

Qualifying Payments

Only payments made by an eligible individual on the individual's qualified education loans qualify for the credit.